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CIVIL SERVICE REFORM IN BRITAIN: LESSONS FOR CANADA

Richard Domingue
Economics Division

September 1993



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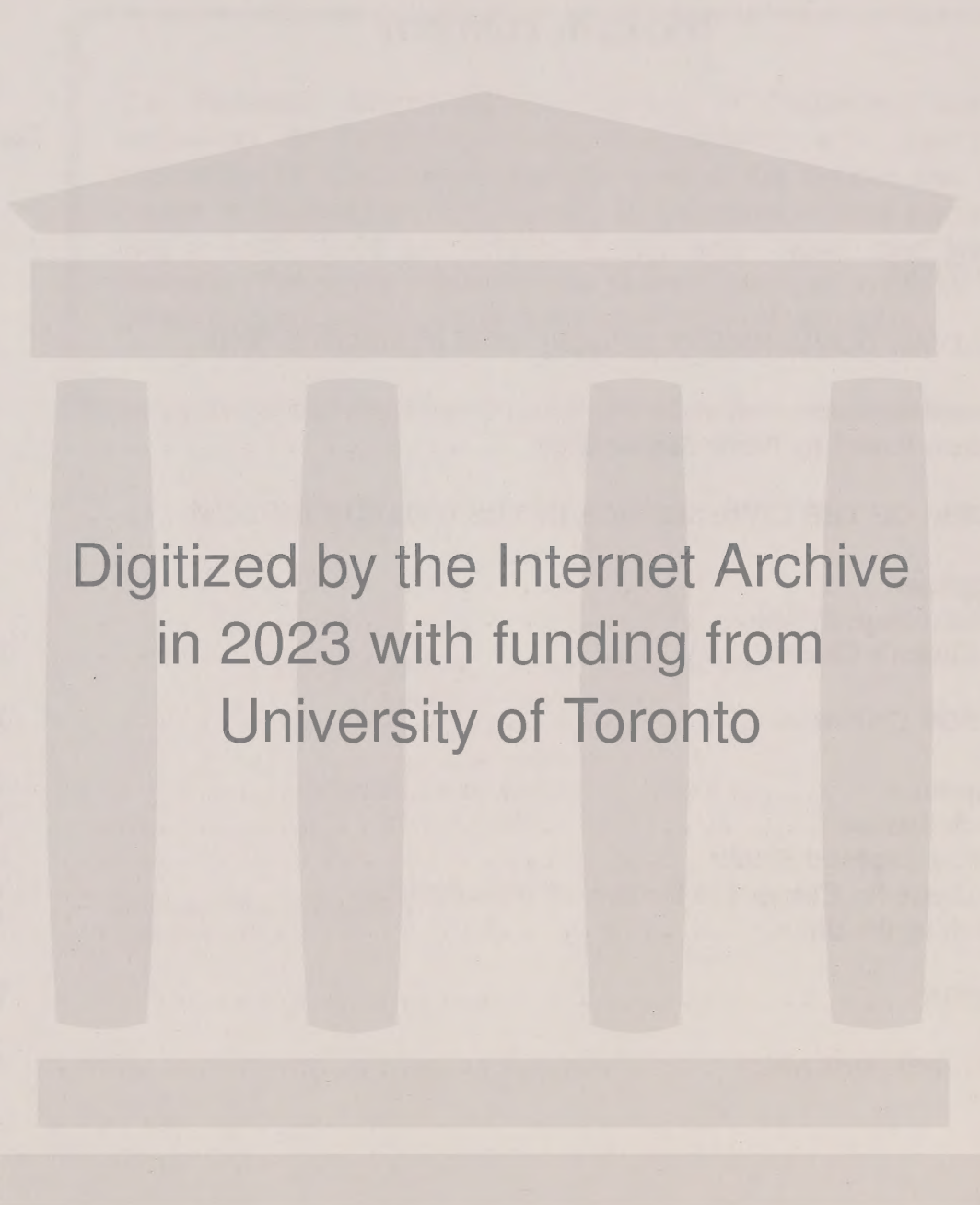
Catalogue No. YM32-2/342E
ISBN 0-660-15488-9

AUG-2893

CE DOCUMENT EST AUSSI
PUBLIÉ EN FRANÇAIS

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CIVIL SERVICE REFORM IN BRITAIN: LESSONS FOR CANADA

INTRODUCTION

Canadians who, like the author of this document,⁽¹⁾ have recently visited the United Kingdom can testify to the mini-revolution that is going on there. Visitors have barely arrived at Heathrow Airport, near London, when they see signs that both government and administration are in the middle of radical change: posters next to the luggage carousels vaunt the merits not of British cigarettes, Scotch whisky, or the big London department stores, but the quality of the public services that visitors are entitled to expect.

This is how the government has chosen to inform people arriving in Britain of the standards of service the airport authorities have set for themselves. In easy-to-understand language, the posters tell visitors that they have a right to efficient, courteous and rapid service from clearly identified officials; that they should not have to wait more than ten minutes for their luggage; and that there are simple means of recourse for them should they encounter a problem. A few steps away, Her Majesty's Customs also spells out clearly the quality of service it is committed to offering its clients.

Someone who last visited the UK a few years ago could never have foreseen such dedication to the clientele. The British government seems to have brought off a *tour de force* in an area where many other governments have so far failed. Numerous countries are currently

(1) The author accompanied a delegation of four members of the Standing Committee on Public Accounts and the Auditor General of Canada on a visit to London, 1-5 November 1992. The delegation's mission was to examine, in a framework of discussions with British administrators, the reform of the British Civil Service. On 24 February 1993, the Public Accounts Committee tabled its Eleventh Report to the House, in which it discussed, among other matters, the Civil Service reforms in the UK.

trying to breathe new life into their public services; Sweden, France,⁽²⁾ Japan and the United States,⁽³⁾ as well as Canada, have all tabled reform plans.

As we will see further on, however, there are reasons to be seriously concerned about Canada's proposed reform. Many important points have still not been resolved and some of the government objectives have been slow to take shape. In light of these facts, it is interesting to examine the reform of the British Civil Service. We will briefly review the Canadian reform plan, known as Public Service 2000, before looking at the UK experience to see if it has lessons for this country.

THE CANADIAN GOVERNMENT'S PLAN: PUBLIC SERVICE 2000

A. Proposed Reform

On 12 December 1989, the Government of Canada unveiled Public Service 2000, its proposed reform of the government machinery. The aim of the reform is to promote efficiency and excellence within the federal Public Service and enable it to serve Canadians better. In December 1990, after ten task forces comprising a total of 120 senior public servants had examined ways of renewing the federal bureaucracy,⁽⁴⁾ Prime Minister Mulroney tabled a White Paper entitled *Public Service 2000: The Renewal of the Public Service of Canada*. In the Throne Speech of May 1991, the government announced its intention of introducing legislation to implement the recommendations in the White Paper and, in June 1991, tabled Bill C-26. The bill was passed by the House of Commons and went to the Senate, where it was passed in December 1992.

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- (2) For a brief description of France's plan to modernize its civil service, which was launched in February 1989, see Commission du budget et de l'administration, *Rapport de mission: Mission sur la modernisation des fonctions publiques canadienne et française*, Assemblée nationale du Québec, 34th Legislature - First Session, Quebec City, January 1992, 12 p.
- (3) Government of the United States, *Creating a Government that Works Better and Costs Less: Report of the National Performance Review*, Washington, 7 September 1993, 168 p.
- (4) For a description of the process that led up to PS2000, see Government of Canada, *Public Service 2000: The Renewal of the Public Service of Canada*, Ottawa, 1990, p. 39-41.

Public Service 2000 is the most recent of a long series of reform initiatives, none of which has produced the hoped-for results. As seen in the Glassco Commission in 1962, Treasury Board's various attempts between 1970 and 1977, the attribution of greater powers to the Auditor General and the creation of the Comptroller General's Office in 1977, the Lambert Commission's Report in 1979, and the proposed Treasury Board program "Increased Ministerial Authority and Accountability" (IMAA) in 1986, for over 30 years the federal government has been trying to overhaul the Public Service. According to Al Johnson, a former deputy minister and former President of the CBC, all these attempts failed, not only because public servants resisted them but also because the proposed reforms did not manage to reconcile delegation of power, the need for controls, the accountability of senior public servants and the parliamentary system.⁽⁵⁾ It may be asked whether PS 2000 achieves this difficult balance.

Serving Canada and Canadians better is the central theme of Public Service 2000. It aims to renew the Canadian Public Service by encouraging excellence, competence, impartiality and a desire to improve service to the people of Canada. To achieve this goal, "[t]he Government wants to create a client-oriented Public Service, a major change since the Public Service has not been used to regarding Canadians as clients."⁽⁶⁾ The three pillars on which improved service is to rest are accountability, increased flexibility in hiring policies, and openness to innovative ideas. "Unleashing the creative capacities of individuals depends both on deregulating their environment and on inspiring them to achieve more."⁽⁷⁾ This means that departments will have to set clear standards and be accountable for the quality of the service they offer the public. The government also hopes to decentralize administrative functions by allowing public servants to exercise greater leadership and by giving them more discretionary authority and more decision-making power. To do this, departments will have to reassess their management methods, find more flexible ways of using their financial and administrative resources, and prepare mission statements.

(5) For an illuminating discussion of the many attempts to reform the federal Public Service, see A.W. Johnson, *Reforming Canada's Federal Administration, 1962-1991*, Ottawa, Office of the Auditor General of Canada, 1992, 51 p.

(6) Government of Canada, *Public Service 2000: The Renewal of the Public Service of Canada*, Ottawa, 1990, p. 51.

(7) *Ibid.*, p. 25.

B. Problems Raised by Public Service 2000

Though inspired by the "total quality" approach, Public Service 2000 is in reality a far cry from that underlying theory. The government has still not succeeded in solving all the problems arising from its reform plan. Until very recently, for example, the process of authorizing and implementing PS 2000 and performance measures was poorly defined. Three years after the White Paper was tabled, the quality of service offered the public has not improved appreciably, and Canadians are far from receiving the promised level of performance.

Nor has the government explained clearly how it plans to reconcile controls with the increased flexibility that public servants are to enjoy. Of course, striking a balance between control and the delegation of authority is not easy; yet it is impossible to imagine delegating powers to public servants without at the same time introducing appropriate controls. The White Paper said that "[a]s Public Service 2000 simplifies the Public Service's administration, and as more and more stress is placed on a results-oriented and client-sensitive culture, the importance of effective accountability is going to become correspondingly greater."⁽⁸⁾ It also said that "Public Servants will be more clearly accountable to their superiors and ultimately to Ministers for the quality of their work, their ethical conduct in the use of enhanced authority and resources, and for the results achieved by way of improved service to Canadians and support to the Government"⁽⁹⁾ and that "[f]undamental to effective accountability is the exercise of judgement."⁽¹⁰⁾ Restricting itself to vague general statements, the government has not spelled out how it plans to reconcile the obligation to be accountable, the need for control and the delegation of powers.

Al Johnson wrote on this point that PS 2000 has not resolved the implicit contradiction between departmental freedom of action and central control. "The linkage between this reliance on values and the removal of the controls is not ... as clear."⁽¹¹⁾

(8) *Ibid.*, p. 89.

(9) *Ibid.*, p. 48.

(10) *Ibid.*, p. 90.

(11) Johnson (1992), p. 20.

Speaking of Public Service 2000 and the need to establish controls, Jean-Robert Gauthier, Chairman of the Public Accounts Committee, said:

There is a problem, however. Public Service 2000 fails to provide an accountability system for public employees and does not indicate how Parliament and members of Parliament would exercise control over public employees' innovative ideas on behalf of Canadians. In fact, the two major elements still lacking in Public Service 2000 are an efficient accountability system and parliamentary control mechanisms.⁽¹²⁾

With the same concerns in mind, the Auditor General wrote in his most recent annual report:

[PS 2000] emphasizes the need to eliminate unnecessary controls and to delegate authority to lower levels. However, this devolution of authority and the empowerment of front-line managers and employees must be accompanied by the development of relevant performance measures for decision making and accountability. Otherwise it would mean a loss in control over the government's operations.

He goes on to say, "Government needs to show Parliament that it is transforming management of the Public Service at a successful pace and that it is dealing with important control and accountability issues."⁽¹³⁾

The federal government must thus reconcile delegation of power with the need to establish controls and the need to find effective ways of significantly improving the quality of service; it must also act quickly if it does not want to endanger the initiative. Encouraging public servants to excel and become entrepreneurs is not easy. It is only now, almost three years after launching this project, that the government is realizing that it must find solutions to these two major problems; it has started to discuss the idea of special operating agencies and is at last refining performance standards.

(12) Public Accounts Committee, *Minutes of Proceedings*, 14 May 1992, Issue No. 27, p. 5.

(13) Office of the Auditor General of Canada, *Report of the Auditor General to the House of Commons*, 1992, p. 130 and 137.

The government will have to go beyond lip service; it will have to have the courage to use the proper means and to act faster if it wants to change the course of the Public Service by the end of the century. For the moment, Public Service 2000 is having considerable trouble getting off the ground; the rate of progress suggests that the people responsible are marking time, afraid of stirring up controversy.

The daring British experiment to reform the Civil Service can surely serve as a model for a Canadian government in search of solutions; that reform raised significant questions and answered them in ways that are proving useful.

THE REFORM OF THE CIVIL SERVICE IN THE UNITED KINGDOM

The British Civil Service has undergone considerable change in the past 10 years. Its employees have become more sensitive to the needs of its clientele and are trying hard to improve their performance. To illustrate the scope of the changes, we can observe, for example, that in the United Kingdom one no longer speaks of "police forces" but of "police services."

A. Background

A genuine political will to change the Civil Service resulted in major government initiatives; as a result, by July 1992, some 300,000 civil servants, or almost half of all Crown employees in the UK, were working in 81 government agencies rather than in the traditional departments.⁽¹⁴⁾ These employees, now newly motivated, work in agencies as diversified as Royal Air Force Maintenance, Her Majesty's Stationery Office, the Forensic Science Service, the Land Registry and the Training and Employment Agency. As of July 1992, the Social Security Benefits Agency alone employed no fewer than 63,000 people, while the Employment Service had 38,400 employees. The British government has indicated that 28 other services will be offered by new agencies, which would add another 68,000 people to the number of civil servants working outside the traditional departments. By 1994, it is expected that three-quarters

(14) By April 1993, the number of agencies had already reached 89.

of Civil Service employees will work in agencies. Senior civil servants at Whitehall hope the reforms will save the government a billion pounds.

The real start of this bureaucratic revolution was 18 February 1988, when then Prime Minister Margaret Thatcher made a statement in the House of Commons on the United Kingdom's Civil Service.⁽¹⁵⁾ At that time, she summarized her government's bold intentions as follows:

I asked the Efficiency Unit to report to me on the progress of management reforms in the Civil Service. It has produced a report, "Improving Management in Government: The Next Steps." The report finds that many Civil Service managers want to see further changes to give more room and flexibility for the exercise of personal responsibility. The report recommends, first, that to the greatest extent practicable the executive functions of government, as distinct from policy advice, should be carried out by units clearly designated within Departments, referred to in the report as "agencies." Responsibility for the day-to-day operations of each agency should be delegated to a chief executive. He would be responsible for management within a framework of policy objectives and resources set by the responsible Minister, in consultation with the Treasury; it recommends, second, that the Government should commit themselves to a progressive programme for attaining this objective; third, that staff should be properly trained and prepared for management of the delivery of services ...; and, fourth, that a "project manager" at a senior level should ensure that the programme of change takes place.

The Government have accepted these four recommendations, which will set the direction for further development of management reform in the Civil Service. Each agency will be accountable to a Minister, who will in turn be accountable to Parliament for the agency's performance. These agencies will generally be within the Civil Service, and their staff will continue to be civil servants. ...

(15) As part of the "Financial Management Initiative" announced in 1982, the British government asked each department to review its management and financial and accounting controls and to develop tools that would enable managers to manage on the basis of goals, results and performance. In 1983 and 1984, even though the quality of government services had improved and civil servants were more accountable, the government proposed going further, by changing managers' attitudes radically to make them more motivated and better organized. The result was the "Next Steps Initiative."

The centre of the Civil Service must be organized in a way that is helpful to bringing about change.⁽¹⁶⁾

In hindsight, we can see that this statement had far-reaching repercussions. It marked the start of a genuine management revolution within the Civil Service, the results of which are now visible in the UK. The relative simplicity of the initiative is startling. Still more startling is the boldness with which the government put forward its changes, and the lack of controversy they provoked; an appropriate term might be "shock treatment." The rapidity with which this *tour de force* was accomplished seems to have taken everyone by surprise.

B. The Next Steps Initiative

The aim of the Next Steps Initiative was to improve the management of governmental operations significantly, bearing in mind the well-being of taxpayers, clients and civil servants. In the report presented to Mrs. Thatcher in 1988 were recommendations designed to change civil servants' attitudes and behaviour and progressively improve their performance and the quality of service they offered the public. To improve their performance, managers were encouraged to become more aware of their clients' needs.

In response to the recommendations, the government set up agencies responsible for delivery of services. The underlying theory was that the Civil Service had become too ponderous to manage programs effectively, and that specialization was the key to productivity. By giving more precise goals to smaller units that would also be more efficient, more flexible, and better able to adjust rapidly to the needs of the clientele, the government hoped to improve delivery of services, reduce costs and enhance the status of Civil Service managers. The departments, in conjunction with the Treasury and the Efficiency Unit, selected the appropriate agencies. In some cases, huge blocks of services, comprising virtually entire departments, were transformed into agencies.

The agencies carry out the government's administrative functions within the framework of established guidelines and allocated resources. Each agency negotiates a Framework Document with the department to which it reports, the Treasury and the Efficiency

(16) *Hansard*, UK, 18 February 1988, p. 149.

Unit. The document spells out guidelines, expected performance and performance measurement standards. It also describes the functions and responsibilities of the agency's Director General and defines the obligation to report and how reporting must be done, as well as the financial and accounting regime, the extent of delegation and the management of personnel. The more complex the agency, the more powers are delegated. The Framework Document clearly draws the line between the responsibilities of the agency, which consist of the delivery of public goods and services, and the responsibilities of the department, which formulates policy. Rather than relying on one rule that standardizes management styles, the Framework Documents are adapted to the needs and management abilities of each agency and tailored to the department's objectives.

Although the agencies have comprehensive frameworks within which to operate, their Directors General have extensive discretion in management matters. For example, although the agencies are funded through money voted to their departments, they have total control of its management and can allocate the funding as they see fit. Agencies that generate enough revenue are authorized to use Trading Funds; eight agencies are currently so authorized. In this way, agencies are able to finance operations, capital expenditures and borrowing, since they are not obliged to pay their earnings or their budget surpluses into the Treasury. The business-style discipline imposed by the Trading Funds makes the agencies pay more attention to performance; the Directors General manage their agencies' finances with improved performance as their sole objective.

The Directors General, being accountable for their agency's performance, must make sure that the projected goals and anticipated standards are achieved. They personally report to the responsible Minister on the agencies' activities, and their own work reflects the roles and duties set out in the Framework Documents, though the obligation to report to Parliament remains with the Minister. The Directors General are appointed for a three-year term, which may be renewed, and are usually recruited by open competition. Of the 81 initial agency administrators, 54 were selected by competition; of these, 30 came from outside the Civil Service.

Clearly, the UK government has delegated major powers to these managers. It does seem that the British have succeeded in reconciling delegation of powers and the need for

parliamentary control; the agency concept reinforces the accountability of civil servants, while at the same time clarifying responsibilities and expectations.

The Framework Document constitutes the key and the guarantee of an effective system of enforced accountability, since it spells out the objectives and the level of performance negotiated with the responsible Minister. The Document also describes the controls that link the agency, the Minister, and Parliament. Each agency must make public its Framework Document, its annual performance objectives, its financial statements, its annual report⁽¹⁷⁾ and its business plan. The agencies are also required to prepare audited financial statements similar to those prepared by businesses, while also reporting on performance. According to the government, this approach, which is similar to how a private company would prepare information documents for its shareholders, guarantees the accountability of the agencies. On 8 January 1990, the Minister responsible for the Civil Service said in the House of Commons:

There will be much more scope for Parliament to scrutinise the activities of the agencies. ... Agencies' objectives and performance will be more open to scrutiny than ever before, by Parliament and by others with an interest, including their customers.⁽¹⁸⁾

C. The Citizen's Charter

In July 1991, the British Prime Minister tabled in the Commons a White Paper entitled *The Citizen's Charter*. In some respects, this document has contributed to the progress of the Next Steps Initiative; agency managers are now trying harder to improve delivery of services, by telling their clients the quality of service to which they are entitled, by guaranteeing simple methods of recourse in cases of complaint, by applying strict standards and producing better performance reports, by carrying out stringent inspections, and by establishing a remuneration system based on the performance of each civil servant and that includes the

(17) It is interesting to note that the agencies can prepare their annual report and their financial statements as they see fit. Although the Treasury has the power to define the contents, the guiding principles, and the format of the accounts, it is the responsible Minister and the Director General who decide what will be included, in line with the agency's objectives. Once a year, the firm Price Waterhouse awards a prize to the agency that has prepared the best annual report.

(18) *Hansard*, UK, 8 January 1990, p. 773.

possibility of demotion. The *Citizen's Charter* forces British civil servants to apply standards guaranteeing better service. For example, the Social Security Benefits Agency publishes a Beneficiary's Charter setting out its service commitments (office hours, identification of personnel, simple formalities, speedy processing of files, etc.).

However, the real reason that civil servants have no choice but to excel is that the *Citizen's Charter* provides for other forms of service delivery. Its cornerstone is the threat of contracting out and privatization. In May 1991, the Efficiency Unit published a report entitled *Making the Most of the Next Steps: The Management of Ministers' Departments and their Executive Agencies*. This report suggested the elimination of certain restrictions on the agencies in order to allow them to "shop" for lower cost services in the private sector. In a November 1991 report entitled *Competing for Quality*, the British government announced its intention of trying "market testing," or private sector participation in tendering, whereby private sector enterprises could compete with the agencies in the delivery of services. Logically, there is no reason why Royal Air Force Maintenance, for instance, should not one day be entrusted to the private sector.

LESSONS FOR CANADA

As it searches for ways to improve service to the public, bring about a revolutionary change of attitude in the Public Service and reconcile delegation of powers with the obligation to be accountable, the Canadian government could certainly learn from certain aspects of the British experience.

At a time of budgetary constraints, making the bureaucracy more efficient is the federal government's only way to maintain the quality of its services. Public Service 2000 must therefore impose far-reaching changes. The government must force its employees to recognize the importance of serving their clients well and of making their performance known. As we have noted, the federal initiative is so far largely theoretical and not very explicit about the means the government intends to adopt to bring about this management revolution. Although there are signs that the government is realizing, three years after tabling its initiative, that Public Service 2000 is not sufficiently radical, the Canadian reform is still light years away from the

British experience. Those responsible for the Canadian reform will have to rectify certain shortcomings quickly if they want to ensure its success. Drawing parallels between the United Kingdom and Canada in this respect could be a very useful exercise; let us look briefly at some of the areas where it might be in Canada's interest to follow the British model.

A. Competition

One of the fundamental principles of the *Citizen's Charter* is that competition between the private and the public sectors must be stepped up as far as delivery of services is concerned. If the Canadian government wishes to effect a change in its Public Service, improve the quality of the services offered, make its bureaucracy more efficient, inculcate an entrepreneurial spirit in its employees and persuade them to adopt new attitudes, it will have to go much further than simply rewarding performance and hoping public servants will co-operate. It will have to introduce serious elements of competition with the private sector by turning to contracting out and privatization. It will have to make its employees understand that if their jobs are to be secure their performance will have to compare favourably with that of their private-sector competitors. At the same time, however, the government must be careful not to place too heavy a reliance on contracting out and privatization, as this would shift the burden of accountability to the private sector.

B. Decentralization

As the British government did when it set up agencies, the Canadian government should decentralize its Public Service to create a greater number of administrative units that are smaller, more specialized and better managed. So far, the federal government has announced the creation of 16 special operating agencies (SOAs), such as the Passport Office and Consulting and Audit Canada. All the SOAs have been given greater operating flexibility so that they can apply the best possible policies and thus improve service delivery. With the exception of the Passport Office, the SOAs' sole client is the federal government. The government will have to go on to apply this approach to the entire Public Service, by setting up agencies to administer programs like unemployment insurance, emergency preparedness or national parks, where the

public, rather than the federal government, would be the client. In addition, the government will have to give these agencies as much autonomy and as many powers as the British government has given to its agencies. Moreover, the people running the SOAs will have to be accountable to the Minister, rather than to the Deputy Minister as is the case at present.

C. Defining Expected Results

The government will not only have to improve the definition of responsibilities, grant wider powers, set up administrative units that manage their own affairs better and use the threat of competition to motivate public servants, it will also have to define the desired results more precisely. Rather than managing through constraints and controls, Public Service 2000 must find a way to introduce a genuinely results-based management model. Forcing managers to use up their budget at the end of every fiscal year is the wrong approach; instead it should be asked whether resources are being used to the best advantage, whether the taxpayers are getting value for their money, and whether programs are being managed effectively and efficiently.

To succeed in improving services, their quality must first be evaluated. This means that as much stress must be placed on service standards as on performance measurement. The government will have to come up with a better way of comparing performance with target objectives; imitating the British model would very probably guarantee success. In the first annual report that the Clerk of the Privy Council submitted to the Prime Minister on the implementation of PS 2000, we see signs that the government is trying to define more precisely the accountability framework for public servants and Deputy Ministers.⁽¹⁹⁾ The report states that the rendering of accounts and the stress on services and results are changes that will have an impact on accountability. Moreover, standards for service, similar to those of Britain's Next Steps Initiative and *Citizen's Charter*, are being formulated.⁽²⁰⁾ The adoption of such standards

(19) Government of Canada, *Public Service 2000: A Report on Progress*, Office of the Clerk of the Privy Council and Secretary to the Cabinet, Ottawa, 30 June 1992, Chapter 9 and Appendix 3; and Government of Canada, *Standards for Service: A Guide to the Initiative*, Treasury Board, Ottawa, June 1993, 8 p. and appendices.

(20) *Standards for Service: A Guide to the Initiative* (1993), Appendix V.

and the publication of performance reports will focus attention on the client and can only improve the quality of service.

D. The Desire for Change and the Pace of Implementation

Change will require a firm political commitment and an unshakeable determination to transform the situation. A Treasury Board paper comments: "Without the support of the last two British Prime Ministers, the successes seen in various quarters [of the reform of the Civil Service] would probably not have been as marked."⁽²¹⁾ If the Canadian government truly wants change, it will have to demonstrate that it has the political will to take the necessary steps.

Nor can the government resort to gradual introduction of ambitious reforms to the Public Service; on the contrary, it must make sure that all elements of the reform are introduced simultaneously if it wishes it to succeed. The government cannot delegate powers to public servants without at the same time implementing the necessary controls; nor can it put public servants in charge of an in-depth reform of the Public Service for which they work. If the reform is to succeed, the government must act rapidly.

E. Consulting the Unions

A transformation of government bureaucracy cannot come about without friction with the unions. In the UK, the unions were not consulted. The reform was put through with such speed that the unions did not realize its implications; it is only now that employees are denouncing privatization and contracting out. If Canada wants to overhaul the federal Public Service, it will have to act quickly, as the Thatcher government did. The Public Accounts Committee observed:

If the new organizational culture based on client satisfaction and performance had not been imposed so forcefully, the British Civil Service would likely have resisted any attempt at reform. If the reforms had not been so well structured, without the delegation of authority and responsibilities and without the major innovations resulting in freedom to make decisions, change would probably

(21) *Ibid.*

have been impossible and the British government would have been unable to counter the normal tendency toward centralization.⁽²²⁾

Unless the Canadian government acts very rapidly, it will have to expect intervention from the unions and define a partnership with them.

CONCLUSION

The plan the Canadian government has put forward to transform the country's Public Service is seriously flawed and has so far had only mixed success. This paper has tried to show that the government would benefit from modelling itself on the British experience, with respect to both the measures required and their implementation.

Recent indications are that the Canadian government has started to change direction (for example through the creation of the special operating agencies) to follow the British model more closely. Its attempts have so far been very timid, however; if the government really wishes to overhaul the Public Service, it will have to act as boldly as the government of the United Kingdom and move quickly to implement measures as radical as those introduced in that country over the past 10 years.

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